

OKLAHOMA ACCOUNTANCY BOARD

RULE IMPACT STATEMENT

TITLE 10. OKLAHOMA ADMINISTRATIVE CODE

CHAPTER 15. LICENSURE AND REGULATION OF ACCOUNTANCY

1. A brief description of the purpose of the proposed rules.

The purpose of amendments to Subchapter 1 is to delete definitions that are either unnecessary because the term is not used anywhere in the Oklahoma Accountancy Act (Act) or the Code or the term is already defined in the Act. Other amendments clarify existing definitions.

The purpose of substantive amendments to Subchapter 3 is to establish rules for performing a national criminal history record check for applicants of a certificate or license as provided in Section 15.9 of the Act effective April 14, 2009, remove obsolete language, correct a reference due to an amendment to the Act, and correct sentence structure errors.

The purpose of substantive amendments to Subchapter 18 is to establish rules for performing a national criminal history record check for qualification applicants as provided for in Section 15.8 of the Act effective April 14, 2009, remove a provision that a qualification applicant can have graduated from a two-year college or university that is now in conflict with the statute, stipulate that the required course in auditing must have a concentration on external auditing standards, provide the criteria that must be met in a written request for an extension due to incapacitation from serious illness or injury, clarify the consequences for failing to apply to take succeeding examinations, and add rules pertaining to cheating on the CPA/PA examination and security or irregularity issues regarding the examination.

The purpose of substantive amendments to Subchapter 21 is to correct a codification error, clarify that an application for a reciprocal certificate or license will not be considered until all of the requirements have been provided to the Oklahoma Accountancy Board, and provide for a national criminal history record check for applicants for a certificate or license in accordance with Section 15.9 of the Act.

The purpose of amendments to Subchapter 22 is to eliminate the requirement that out-of-state CPAs must notify the Oklahoma Accountancy Board of their intent to practice under the substantial equivalency provisions in accordance with amendments to Section 15.12A of the Act effective April 14, 2009.

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The purpose of substantive amendments to Subchapter 23 is to delete outdated rules and add rules needed to comply with an amendment to Section 15.14 of the Act effective April 14, 2009, that changes the registration renewal and filing requirements from a biennial fiscal year renewal to an annual renewal based on each individual's birth month. Additional substantive amendments allow for postmarks for carriers other than the USPS, change the firm registration filing deadline from May 31 to June 30 in accordance with an amendment to Section 15.15 of the Act, and provide for amendments to a registrant's revoked status if the registrant was revoked for failure to register and the OAB later learns the registrant was deceased or incapacitated at the time of the administrative revocation.

The purpose of substantive amendments to Subchapter 25 is to include date of expiration as well as date of issuance for permits. Other substantive amendments change the firm permit renewal dates of issuance and expiration in accordance with amendments to Section 15.14A of the Act effective April 14, 2009, remove language that has become obsolete because of changes to Section 15.12A of the Act, provide that sole proprietors will be issued a firm permit bearing the same date of issuance and expiration as the sole proprietor's individual permit, base the date of issuance and expiration of individual permits timely renewed on each registrant's birth month, clarify that a firm serving Oklahoma clients from outside this state is required to hold a valid permit only if the firm is providing services under the provision of Section 15.12A.A.5 of the Act, and provide that the Executive Director's designee may approve requests for a transition period to complete continuing professional education (CPE) required for the permit to practice.

The purpose of amendments to Subchapter 27 is to revoke fees associated with substantial equivalence since individuals entering the state under the substantial equivalency provision are no longer required to make application or pay a fee under Section 15.12A of the Act. In addition, in accordance with amendments to Section 15.14 the Act effective April 14, 2009, registration fees are amended to provide for an annual registration fee with staggered due dates based on each individual's birth month. Also in accordance with amendments to Section 15.14A of the Act, permit fees are amended to be due based on each registrant's birth month. A final amendment provides for the proration of fees for purposes of transitioning to birth month renewals.

The purpose of substantive amendments to Subchapter 30 is to provide that reporting of CPE will be in conjunction with the filing of the certificate or license

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holders' annual registration renewal based on their birth months and provide examples of the types of descriptive materials that should be retained to substantiate CPE courses. To further protect the public, a new provision is added that requires that individuals actively involved in the supervision or review of compilation engagements for third party reliance complete at least 8 credits of CPE taken by the group program method within each calendar year. This requirement would be waived if the registrant works for a public accounting firm currently enrolled in a peer review program with an approved sponsoring organization or if the registrant is a sole proprietor currently enrolled in a peer review program with an approved sponsoring organization. The statute and rules changed in 2006 to require CPE of all registrants not otherwise exempt from the requirement. Amendments are added to clarify that the Board may verify in the CPE Audit that individuals claiming an exemption to the CPE requirement are entitled to do so, clarify that registrants must request an exemption to the CPE requirement each year and that the Board may deny exemption requests any time it is determined an individual is not eligible for the exemption, and provide that the Executive Director or his/her designee may grant extensions for completing CPE for good cause on a case by case basis.

The purpose of substantive amendments to Subchapter 32 is to make permanent the provisions currently in effect, under the emergency rule promulgation effective August 6, 2009, that allow registrants to take self-study CPE courses from sponsors registered with any NASBA (National Association of State Boards of Accountancy) registry, not just with NASBA's National Registry of CPE Sponsors as provided in the last permanent rule promulgation. This provision allows for sponsors registered with NASBA's Quality Assurance Services.

The purpose of substantive amendments to Subchapter 33 is to require the submission of documents required by the Board under this subsection to be sent by electronic means by secure website unless the sponsoring organization does not have access to the website. Currently firms have an "opt out" option which requires the agency to maintain two different tracking systems. Utilizing the recently developed access system will benefit the firms as well as the agency as it will make reporting easier and less cumbersome. No fee is charged by the sponsoring organizations for this service.

The purpose of substantive amendments to Subchapter 35 is to provide for a national criminal history record check for individuals applying for a reciprocal certificate or license and to provide that evaluation and approval of applications for reinstatement may be performed by the Executive Director's designee.

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The purpose of the amendment to Subchapter 37 is to create a specific rule violation for failure to cooperate with an investigation conducted by the Board. Greater cooperation from individuals under investigation should reduce the time it takes to complete an investigation, thus reducing the cost of the investigation.

The purpose of substantive amendments to Subchapter 39 is to separate the subsections under "Other responsibilities and practices" into two separate sections. The firm name section will provide further protection to the public by clarifying what constitutes a misleading firm name. This section about firm names does not affect firms licensed by the Board prior to the effect date of this section but does apply to any change in legal organization or name that occurs after the effective date of this section. The section concerning written communications clarifies that a certificate or license holder, firm, candidate, or applicant must provide copies of any requested documents and must substantively respond in writing to requests from the Board mailed by registered or certified mail within thirty (30) days.

Amendments to Subchapter 43 are not substantive and are consistent with other non-substantive changes made throughout the rules regarding changing the term "on a form prescribed by the Board" to "in a format prescribed by the Board," which applies to both paper forms and electronic filings.

2. A description of the classes of persons who most likely will be affected by the proposed rule, including classes that will bear the costs of the proposed rule, and any information on cost impacts received by the agency from any private or public entities.

Individuals applying for certification or licensure or to qualify to sit for the CPA/PA examination will bear the cost of the national criminal history record checks, as provided for in Sections 15.8 and 15.9 of the Act, amended effective April 14, 2009. There will be no cost impact to the Oklahoma Accountancy Board (OAB).

Although there is no cost increase, all registrants of the OAB will be affected by the change to the staggered registration and permit renewal dates mandated in the Act. This is because once they are transitioned into the staggered renewal dates they will all register annually rather than biennially. Instead of paying \$100 every two years to register, most registrants will pay \$50 each year. The registration and permit fees will be pro-rated during the transition to the staggered registration periods, so there will be no additional financial burden on the registrants.

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Registrants who practice public accounting in multiple jurisdictions will benefit from the revocation of the requirement that out-of-state CPAs or PAs not certified or licensed in Oklahoma must notify the Board of their intent to practice under the substantial equivalency provisions and pay fees equivalent to the fees an Oklahoma registrant would pay to enter their states to practice. Individuals who supervise or review compilation engagements will be impacted

3. A description of the classes of persons who will benefit from the proposed rule.

The public will benefit from amendments providing for a national criminal history record check for applicants for examination or reinstatement or for an original or reciprocal certificate or license. The new provisions involving cheating on the CPA/PA examination will protect the public and will emphasize to candidates the Board's dedication to allowing only ethically conscious individuals into the profession. Candidates who need to request an extension to take the examination due to incapacitation from serious illness or injury will benefit by having a procedure to follow to request an extension. Registrants and the Board will benefit from the change to the annual renewal process for registration, permit renewal, and CPE reporting; this change will go from a biennial fiscal registration renewal to a less cumbersome annual renewal based on each individual's birth month, thus spreading the work load over a twelve (12) month period. Individuals entering the state under the substantial equivalency provisions will benefit because there is no longer a notification process or fee. The public will benefit from the requirement for CPE in the subject area of compilations for individuals actively involved in the supervision or review of compilation engagements but not enrolled in a peer review program. Firms undergoing peer review and the Board will benefit from the requirement that reporting to the Board be made through a secure website. Use of the secure website will make reporting easier and less cumbersome, and should eliminate the need for the Board to maintain two different tracking systems. The creation of a specific rule violation for failure to cooperate with an investigation conducted by the Board should reduce the time it takes to complete an investigation, thus reducing the cost of the investigation. Firms wishing to register with the Board will find it much easier to determine whether the firm name they wish to register will be accepted or considered misleading. The rule requiring a substantive response and any requested documents to be provided to the Board within thirty (30) days should reduce the time required to close enforcement cases, thus reducing the cost of the enforcement procedure.

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- 4. A description of the probable economic impact of the proposed rule upon affected classes of persons or political subdivisions, including a listing of all fee changes and, whenever possible, a separate justification for each fee changes.**

The Board does not foresee any economic impact of the proposed rules on any classes of persons or political subdivisions.

- 5. The probable costs and benefits to the agency and to any other agency of the implementation and enforcement of the proposed rule, the source of revenue to be used for implementation and enforcement of the proposed rule, and any anticipated effect on state revenues, including a projected net loss or gain in such revenues if it can be projected by the agency.**

In compliance with amendments to the Act effective April 14, 2009, the proposed rules will make permanent rules passed as emergency rules effective August 6, 2009. The rules will change registration renewal, permit renewal, and CPE reporting from a fiscal year reporting/filing taking place in June and July to a filing deadline based on each registrant's birth month. The agency will benefit significantly from the staggered renewal dates for registration and permits, and for the staggered reporting of CPE. Rather than processing forms for nearly 11,000 registrants in a two month period, the work load will be staggered relatively evenly throughout the year. Renewal will be part of the normal daily work flow rather than a disruptive major annual event. Moreover, it will save the agency the cost of hiring at least two temporary employees for four months each summer to handle the additional influx of mail and the handling and filing of paperwork during and after the registration period. The cost to the agency of converting to an annual birth month renewal system is not known at this time. The Board is hoping to include the cost of implementing the conversion to a birth-month renewal system with the cost of the conversion to the State's Regulatory Enterprise Licensing System. The agency has currently budgeted \$250,000 for the conversion to the Enterprise Licensing System. The agency receives no funds from the State. The source of income to implement all of the Board's rules is fees paid by candidates and registrants. The fees are for processing qualification applications for potential candidates for examination, registration fees, and permit fees. There are currently no plans to raise any of the Board's fees. Costs for enforcing the rules are generally paid by those who infringe upon the rules. No effect on state revenues is anticipated.

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- 6. A determination of whether implementation of the proposed rule will have an economic impact on any political subdivisions or require their cooperation in implementing or enforcing the rule.**

The Board is not aware of any impact on any political subdivision which will require their cooperation in implementing or enforcing the proposed rules.

- 7. An explanation of the measures the agency has taken to minimize compliance costs and a determination of whether there are less costly or non-regulatory methods or less intrusive methods for achieving the purpose of the proposed rule.**

The majority of proposed rules are designed to implement changes mandated in HB 1779, which amended the Act effective April 14, 2009. The requirement that the cost of the national background check is to be born by the applicant was mandated in HB 1779. The changes relating to mobility between jurisdictions are less regulatory than those previously in place. The proposed rules designed to implement the staggering of registration and permit renewals and CPE reporting throughout the year do not require any additional costs to the Board's registrants. The requirement for 8 hours of compilation CPE under certain conditions does not require any additional costs to the Board's registrants as it does not require additional CPE but rather addresses the type of CPE taken.

- 8. A determination of the effect of the proposed rule on the public health, safety and environment and, if the proposed rule is designed to reduce significant risks to the public health, safety and environment, an explanation of the nature of the risk and to what extent the proposed rule will reduce the risk.**

The proposed rule amendments will not have any effect on public health, safety, or environment.

- 9. A determination of any detrimental effect on the public health, safety and environment if the proposed rule is not implemented.**

There should not be any detrimental effect on the public health, safety, or environment if the proposed rule amendments are not implemented.

- 10. The date the rule impact statement was prepared and if modified, the date modified.**

The Rule Impact Statement was prepared on December 28, 2009.